GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:655
ANSWERED ON:10.05.2002
CORPORATE TAX ON FOREIGN COMPANIES
SUSHIL KUMAR SAMBHAJIRAO SHINDE

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have drawn up an action plan to progressively bring down the corporate tax on foreign companies from the budgetary proposal of 40% and to move to full convertibility of rupee even on capital account;

(b) if so, the details thereof ; and

(c) the steps taken/being taken in pursuance of this plan?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) (b) & (c): No proposal is under consideration at present to reduce the corporate tax rate further on foreign companies from the budgetary proposal of 40%. Steps to liberalize the capital account for certain purposes have been announced in Budget Speech of 2001-2002 and 2002-2003. Consequent to these announcements, the Reserve Bank of India had issued anumber of notifications to liberalize the capital account for certain purposes. The liberalization of capital account, however, has to be viewed as a process and not as a single event. It has to be embarked upon cautiously as part of overall reforms as well as on assessment of the emerging scenario relating to international economic and financial architecture.